

MARK D. WALDRON
Chapter 11 Trustee
6711 Regents Blvd. W., Suite B
Tacoma, WA 98466
Telephone: (253) 565-5800

The Honorable Frederick P. Corbit
Chapter 11

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF WASHINGTON

In Re:

GIGA WATT INC.

Debtor.

Case No. 18-03197-FPC11

CHAPTER 11 TRUSTEE'S MONTHLY
FINANCIAL REPORT FOR FEBRUARY 2020

COMES NOW Mark D. Waldron, the Court-appointed and acting Chapter 11 Trustee in the above proceeding, and files this Monthly Financial Report for the month of February 2020. Attached to this report are the Ledger Report (Exhibit 1), Operating Statement (Exhibit 2), and bank statement for February 2020 (Exhibit 3), incorporated herein by reference. Also attached is a detailed narrative report from Court-appointed consultant Douglas Pratt regarding Giga Watt's mining operations for February 2020 (Exhibit 4), incorporated herein by reference.

1. Moses Lake Facility. The Estate continues to operate the Moses Lake facility. Mining revenues for February 2020 at Moses Lake were \$258,996.93, with an



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1 additional \$23,386.68 of revenue from subtenant Eco Diversified Holdings for its
2 February 2020 rent (\$9,000.00) and proportional obligation for the January 2020
3 utilities (\$14,386.68). The utility payments are current and the Estate also paid two utility
4 deposit bond renewals at the Moses Lake facility (for MLDC 1 and Parcel E). With regard
5 to rent, the Estate paid \$30,000.00 of the \$61,000.00 rent due. As indicated in the Monthly
6 Financial Report for December 2019, the Trustee is working with the landlord at the Moses
7 Lake facility on rent deferrals while the Trustee is actively discussing sale of both the
8 Moses Lake and TNT facilities with potential buyers and interested parties.

9 2. TNT Facility. The Estate continues to operate the TNT facility in East
10 Wenatchee. Mining revenues at TNT for February 2020 were \$87,698.51. Pursuant to
11 the Court-approved Super-Priority Unsecured Credit Agreement, the Estate is current on
12 the payments due the DIP lender. In addition, the rent and utility payments are current at
13 the TNT facility.

14 In October 2019, the Trustee sent written notice to the TNT landlord of Giga
15 Watt's intention to exercise the lease renewal for Building C, with the new lease term
16 commencing on December 1, 2019. The landlord and Trustee have been discussing the
17 renewal rate and have agreed, subject to Court approval, that the lease rate for Building C
18 should increase by \$300.00 per month, effective February 1, 2020, and have annual
19 increases of 2.5% for the renewing term of the lease, through November 2024. The
20 Trustee believes this is reasonable and reflects market rent. The Trustee and landlord
21 have executed an Amendment of Commercial Lease Agreement and Trustee will be filing
22 a motion for Court approval.

23 3. The Court-appointed CPA continues to prepare Debtor's required monthly
24 tax reports, specifically the Department of Revenue reporting, and the Estate continues to
25



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1 pay the corresponding B&O taxes due. At month end, the Debtor was not delinquent on
2 any post-petition tax obligations.

3 4. For purposes of calculating the Debtor's obligations under 28 USC 1930(a)(6)
4 to pay a quarterly fee to the United States Trustee, **TOTAL DISBURSEMENTS** for the
5 month of February 2020 were **\$321,677.23**. The Trustee continues to file Monthly
6 Financial Reports and pay the quarterly U.S. Trustee fees pursuant to the current rate
7 schedule. All U.S. Trustee fee payments and all Monthly Financial Reports are current.

8 I certify under penalty of perjury that the information contained in this Monthly
9 Financial Report is complete, true, and accurate to the best of my knowledge, information
10 and belief.

11 DATED this 11th day of March, 2020.



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14 MARK D. WALDRON, WSBA# 9578
Chapter 11 Trustee for the Estate of
Giga Watt Inc.
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Ledger Report

Case Number: 18-03197-FPC11 FPC
Case Name: GIGA WATT INC.
Taxpayer ID #: 81-4797010
Period: 02/01/20 - 02/28/20

Trustee: Mr. Mark D. Waldron (670070)
Bank Name: Metropolitan Commercial Bank
Account: *****25 - Checking Account
Blanket Bond: \$0.00 (per case limit)
Separate Bond: N/A

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
02/03/20		Randy Michelson	Loan payment per Super-Priority Unsecured Credit Agreement (TNT)	6004-000		15,000.00	117,640.28
02/04/20		Eco Diversified Holdings	February 2020 rent for Pod 8 of Parcel E pods, Moses Lake	4002-00	9,000.00		126,640.28
02/04/20		Wenatchee Valley Salvage & Recycling	Sale of miscellaneous electrical and/or scrap metal materials	4099-000	42.90		126,683.18
02/05/20	369	Insta Stor Inc.	Invoice #3527 (storage container rental through February 2020)	6004-000		134.88	126,548.30
02/05/20	370	Waste Management of Wenatchee	Customer ID #19-19019-33003, Invoice #1856394-2674-0 (TNT)	6010-000		124.28	126,424.02
02/05/20	371	Douglas County PUD	Account #735917, utilities for January 2020 (TNT facility)	6010-000		42,743.00	83,681.02
02/05/20	372	LocalTel	Account #61297, statement dated 1-30-20 (TNT facility)	6010-000		110.85	83,570.17
02/06/20		Moses Lake (\$62,243.43) and TNT (\$21,475.28) facilities	Mining operations	4001-000	83,718.71		167,288.88
02/06/20	373	Mark D. Waldron	Partial payment of Trustee fees per Order entered on 11-20-19 (Docket #422)	6002-001		10,000.00	157,288.88
02/10/20		MLDC I, LLC	100% of Moses Lake revenue (through 2-6-20)	6003-000		62,243.43	95,045.45
02/11/20	374	Cuttin Rugs LLC	Invoices #47 and #48 (Moses Lake) through 2-7-20	6007-013		6,000.00	89,045.45
02/11/20	375	NCW Consulting LLC	Invoice dated 2-9-20 (TNT through 2-7-20)	6007-013		5,812.50	83,232.95
02/11/20	376	A Harrison Consulting LLC	Invoice dated 2-9-20 (Moses Lake through 2-7-20)	6007-013		2,400.00	80,832.95
02/11/20	377	S Simpson Consulting LLC	Invoice dated 2-9-20 (Moses Lake through 2-7-20)	6007-013		2,000.00	78,832.95
02/11/20	378	P Jaimes Consulting LLC	Invoice dated 2-9-20 (Moses Lake through 2-7-20)	6007-013		1,480.00	77,352.95
						Subtotals :	\$148,048.94
						\$92,761.61	\$148,048.94

Ledger Report

Case Number: 18-03197-FPC11 FPC
Case Name: GIGA WATT INC.
Taxpayer ID #: 81-4797010
Period: 02/01/20 - 02/28/20

Trustee: Mr. Mark D. Waldron (670070)
Bank Name: Metropolitan Commercial Bank
Account: *****25 - Checking Account
Blanket Bond: \$0.00 (per case limit)
Separate Bond: N/A

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
			2-7-20)				
02/11/20	379	Aggle LLC	Invoice dated 2-9-20 (TNT through 2-7-20)	6007-013		1,792.00	75,560.95
02/13/20		Moses Lake (\$66,474.72) and TNT (\$22,837.08) facilities	Mining operations	4001-000	89,311.80		164,872.75
02/14/20		MLDC I, LLC	77% of Moses Lake revenue (through 2-13-20)	6003-000		51,185.53	113,687.22
02/20/20		Moses Lake (\$67,746.80) and TNT (\$22,581.70) facilities	Mining operations	4001-000	90,328.50		204,015.72
02/20/20	380	Stretto	Invoices #3265 and #3327	6007-000		600.00	203,415.72
02/21/20		Eco Diversified Holdings	Utilities for January 2020, Pod 8 of Parcel E pods, Moses Lake facility	4099-000	14,386.68		217,802.40
02/21/20		MLDC I, LLC	77% of Moses Lake revenue (through 2-20-20)	6003-000		52,165.04	165,637.36
02/24/20	381	TNT Business Complexes, LLC	Lease payment for March 2020 (TNT facility)	6003-000		11,900.00	153,737.36
02/24/20	382	Cuttin Rugs LLC	Invoices #49 and #50 (Moses Lake through 2-21-20)	6007-013		6,000.00	147,737.36
02/24/20	383	NCW Consulting LLC	Invoice dated 2-23-20 (TNT through 2-21-20)	6007-013		5,550.00	142,187.36
02/24/20	384	Aggle LLC	Invoice dated 2-23-20 (TNT through 2-21-20)	6007-013		2,240.00	139,947.36
02/24/20	385	P Jaimes Consulting LLC	Invoice dated 2-23-20 (Moses Lake through 2-21-20)	6007-013		1,480.00	138,467.36
02/24/20	386	A Harrison Consulting LLC	Invoice dated 2-23-20 (Moses Lake through 2-21-20)	6007-013		2,400.00	136,067.36
02/24/20	387	S Simpson Consulting LLC	Invoice dated 2-23-120 (Moses Lake through 2-21-20)	6007-013		1,000.00	135,067.36
02/26/20	389	Insta Stor Inc.	Invoice #3652 (storage container rental through March 2020)	6004-000		134.88	134,932.48
02/26/20		Washington State Department of Revenue	B&O taxes due for January 2020	6006-002		5,273.35	129,659.13
Subtotals :					\$194,026.98	\$141,720.80	

{} Asset reference(s)

Ledger Report

Case Number: 18-03197-FPC11 FPC
Case Name: GIGA WATT INC.
Taxpayer ID #: 81-4797010
Period: 02/01/20 - 02/28/20

Trustee: Mr. Mark D. Waldron (670070)
Bank Name: Metropolitan Commercial Bank
Account: *****25 - Checking Account
Blanket Bond: \$0.00 (per case limit)
Separate Bond: N/A

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
02/27/20		Moses Lake (\$62,531.98) and TNT (\$20,804.45) facilities	Mining operations	4001-000	83,336.43		212,995.56
02/28/20		MLDC I, LLC	Rent, utilities, and utility bond renewals	6003-000		25,407.49	187,588.07
02/28/20		Frontier Title and Escrow Co. Inc., Grant Co. Trust Account	Escrow deposit for closing costs re: Terrain Holdings (Dave Carlson settlement)	6010-000		6,500.00	181,088.07
ACCOUNT TOTALS					4,210,975.15	321,677.23	\$181,088.07

TOTAL - ACCOUNT *****25

Balance Forward	132,640.28		
3 Deposits	23,429.58	20 Checks	103,902.39
0 Interest Postings	0.00	7 Adjustments Out	217,774.84
Subtotal	\$156,069.86	0 Transfers Out	0.00
4 Adjustments In	346,695.44	Total	\$321,677.23
0 Transfers In	0.00		
Total	\$502,765.30		

Operating Statement

Period: 02/01/20 - 02/28/20

EXHIBIT 2**Income****Revenue from Operating Business****Revenue from Operating Business**

02/06/20	Dep. Adj.: 110	3910019625	Moses Lake (\$62,243.43) and TNT (\$21,475.28) facilities Mining operations	\$83,718.71
02/13/20	Dep. Adj.: 112	3910019625	Moses Lake (\$66,474.72) and TNT (\$22,837.08) facilities Mining operations	\$89,311.80
02/20/20	Dep. Adj.: 114	3910019625	Moses Lake (\$67,746.80) and TNT (\$22,581.70) facilities Mining operations	\$90,328.50
02/27/20	Dep. Adj.: 117	3910019625	Moses Lake (\$62,531.98) and TNT (\$20,804.45) facilities Mining operations	\$83,336.43
				\$346,695.44

Rents**Rents**

02/04/20	Deposit: 100023-1	3910019625	Eco Diversified Holdings February 2020 rent for Pod 8 of Parcel E pods, Moses Lake	\$9,000.00
				\$9,000.00

Other Receipts**Other Receipts**

02/04/20	Deposit: 100023-2	3910019625	Wenatchee Valley Salvage & Recycling Sale of miscellaneous electrical and/or scrap metal materials	\$42.90
02/21/20	Deposit: 100024-1	3910019625	Eco Diversified Holdings Utilities for January 2020, Pod 8 of Parcel E pods, Moses Lake facility	\$14,386.68
				\$14,429.58

Total Income**\$370,125.02****Expenses****Trustee Fees & Expenses****Trustee Compensation**

02/06/20	Check: 373	3910019625	Mark D. Waldron Partial payment of Trustee fees per Order entered on 11-20-19 (Docket #422)	\$10,000.00
				\$10,000.00

\$10,000.00**Admin. Rent****Admin. Rent**

02/10/20	Disb. Adj.: 111	3910019625	MLDC I, LLC 100% of Moses Lake revenue (through 2-6-20)	\$62,243.43
02/14/20	Disb. Adj.: 113	3910019625	MLDC I, LLC 77% of Moses Lake revenue (through 2-13-20)	\$51,185.53
02/21/20	Disb. Adj.: 115	3910019625	MLDC I, LLC 77% of Moses Lake revenue (through 2-20-20)	\$52,165.04
02/24/20	Check: 381	3910019625	TNT Business Complexes, LLC Lease payment for March 2020 (TNT facility)	\$11,900.00
02/28/20	Disb. Adj.: 118	3910019625	MLDC I, LLC Rent, utilities, and utility bond renewals	\$25,407.49

\$202,901.49

Operating Statement

Period: 02/01/20 - 02/28/20

Costs to Secure/Maintain Property

Costs to Secure/Maintain Property

02/03/20	Disb. Adj.: 109	3910019625	Randy Michelson Loan payment per Super-Priority Unsecured Credit Agreement (TNT)	\$15,000.00
02/05/20	Check: 369	3910019625	Insta Stor Inc. Invoice #3527 (storage container rental through February 2020)	\$134.88
02/25/20	Void: 388	3910019625	Insta Stor Inc. Storage container rental through March 2020.	\$0.00
02/26/20	Check: 389	3910019625	Insta Stor Inc. Invoice #3652 (storage container rental through March 2020)	\$134.88
				<hr/> \$15,269.76

Taxes - State

Taxes - State

02/26/20	Dep. Rev.: 116	3910019625	Washington State Department of Revenue B&O taxes due for January 2020	\$5,273.35
				<hr/> \$5,273.35

Professional Fees & Expenses

Professional Fees & Expenses

02/20/20	Check: 380	3910019625	Stretto Invoices #3265 and #3327	\$600.00
				<hr/> \$600.00

Consultant for Trustee Fees

02/11/20	Check: 374	3910019625	Cuttin Rugs LLC Invoices #47 and #48 (Moses Lake) through 2-7-20	\$6,000.00
02/11/20	Check: 375	3910019625	NCW Consulting LLC Invoice dated 2-9-20 (TNT through 2-7-20)	\$5,812.50
02/11/20	Check: 376	3910019625	A Harrison Consulting LLC Invoice dated 2-9-20 (Moses Lake through 2-7-20)	\$2,400.00
02/11/20	Check: 377	3910019625	S Simpson Consulting LLC Invoice dated 2-9-20 (Moses Lake through 2-7-20)	\$2,000.00
02/11/20	Check: 378	3910019625	P Jaimes Consulting LLC Invoice dated 2-9-20 (Moses Lake through 2-7-20)	\$1,480.00
02/11/20	Check: 379	3910019625	Aggle LLC Invoice dated 2-9-20 (TNT through 2-7-20)	\$1,792.00
02/24/20	Check: 382	3910019625	Cuttin Rugs LLC Invoices #49 and #50 (Moses Lake through 2-21-20)	\$6,000.00
02/24/20	Check: 383	3910019625	NCW Consulting LLC Invoice dated 2-23-20 (TNT through 2-21-20)	\$5,550.00
02/24/20	Check: 384	3910019625	Aggle LLC Invoice dated 2-23-20 (TNT through 2-21-20)	\$2,240.00
02/24/20	Check: 385	3910019625	P Jaimes Consulting LLC	\$1,480.00

Operating Statement

Period: 02/01/20 - 02/28/20

			Invoice dated 2-23-20 (Moses Lake through 2-21-20)	
02/24/20	Check: 386	3910019625	A Harrison Consulting LLC	\$2,400.00
			Invoice dated 2-23-20 (Moses Lake through 2-21-20)	
02/24/20	Check: 387	3910019625	S Simpson Consulting LLC	\$1,000.00
			Invoice dated 2-23-120 (Moses Lake through 2-21-20)	
				<u>\$38,154.50</u>
				\$38,754.50
Other Expenses				
Other Expenses				
02/05/20	Check: 370	3910019625	Waste Management of Wenatchee	\$124.28
			Customer ID #19-19019-33003, Invoice #1856394-2674-0 (TNT)	
02/05/20	Check: 371	3910019625	Douglas County PUD	\$42,743.00
			Account #735917, utilities for January 2020 (TNT facility)	
02/05/20	Check: 372	3910019625	LocalTel	\$110.85
			Account #61297, statement dated 1-30-20 (TNT facility)	
02/28/20	Disb. Adj.: 119	3910019625	Frontier Title and Escrow Co. Inc., Grant Co. Trust	\$6,500.00
			Account	
			Escrow deposit for closing costs re: Terrain Holdings (Dave Carlson settlement)	
				<u>\$49,478.13</u>
Total Expenses				\$321,677.23
Net Income				\$48,447.79

Period Covered:
February 01, 2020 - February 28, 2020
Page 1 of 8

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Law Offices of
Mark D. Waldron, PLLC

Case Number

Case Name

Trustee Number

Trustee Name

18-03197-FPC11

GIGA WATT INC

DEBTOR

670070

Mr. Mark D. Waldron

TRUSTEE

Questions:
800.634.7734

banking.services@stretto.com
www.stretto.com

Consolidated Balance Summary

Account	Number	Ending Balance Prior Period	Ending Balance This Period
Checking Account			
TRUSTEE CHECKING	9625	\$168,337.03	\$210,327.83
Total		\$168,337.03	\$210,327.83

TRUSTEE CHECKING

Account Number: 9625

Enclosures	19	Beginning Balance	\$168,337.03
		+Total Additions	\$370,125.02
		-Total Subtractions	\$328,134.22
		Ending Balance	\$210,327.83

* Indicates a Skip in Check Number(s)
"E" Indicate an Electronic Check

Checks

Check #	Date	Amount
358	02-03	\$2,400.00
359	02-03	\$2,000.00
360	02-04	\$6,000.00
362*	02-03	\$2,240.00
363	02-03	\$1,581.75
364	02-03	\$2,000.00
365	02-03	\$2,400.00
367*	02-03	\$5,175.00
368	02-18	\$11,900.00
370*	02-12	\$124.28
371	02-12	\$42,743.00
372	02-12	\$110.85
373	02-10	\$10,000.00
374	02-19	\$6,000.00
375	02-18	\$5,812.50
378*	02-19	\$1,480.00
379	02-18	\$1,792.00
380	02-27	\$600.00
382*	02-28	\$6,000.00

Debits

Date	Description	Subtractions
02-03	WIRE TO RANDY MICHELSON	\$15,000.00
02-10	WIRE TO MLDC 1 LLC	\$62,243.43
02-14	WIRE TO MLDC 1 LLC	\$51,185.53
02-24	WIRE TO MLDC 1 LLC	\$52,165.04
02-26	WA DEPT REVENUE TAX PYMT 200225 CCD	\$5,273.35
02-28	WIRE TO MLDC 1 LLC	\$25,407.49
02-28	WIRE TO FRONTIER TITLE AND	\$6,500.00

Credits

Date	Description	Additions
02-06	REMOTE DEPOSIT REF#0100023	\$9,042.90
02-06	WIRE FROM COINME INC	\$83,718.71
02-13	WIRE FROM COINME INC	\$89,311.80
02-20	WIRE FROM COINME INC	\$90,328.50
02-24	REMOTE DEPOSIT REF#0100024	\$14,386.68
02-27	WIRE FROM COINME INC	\$83,336.43

Daily Balances

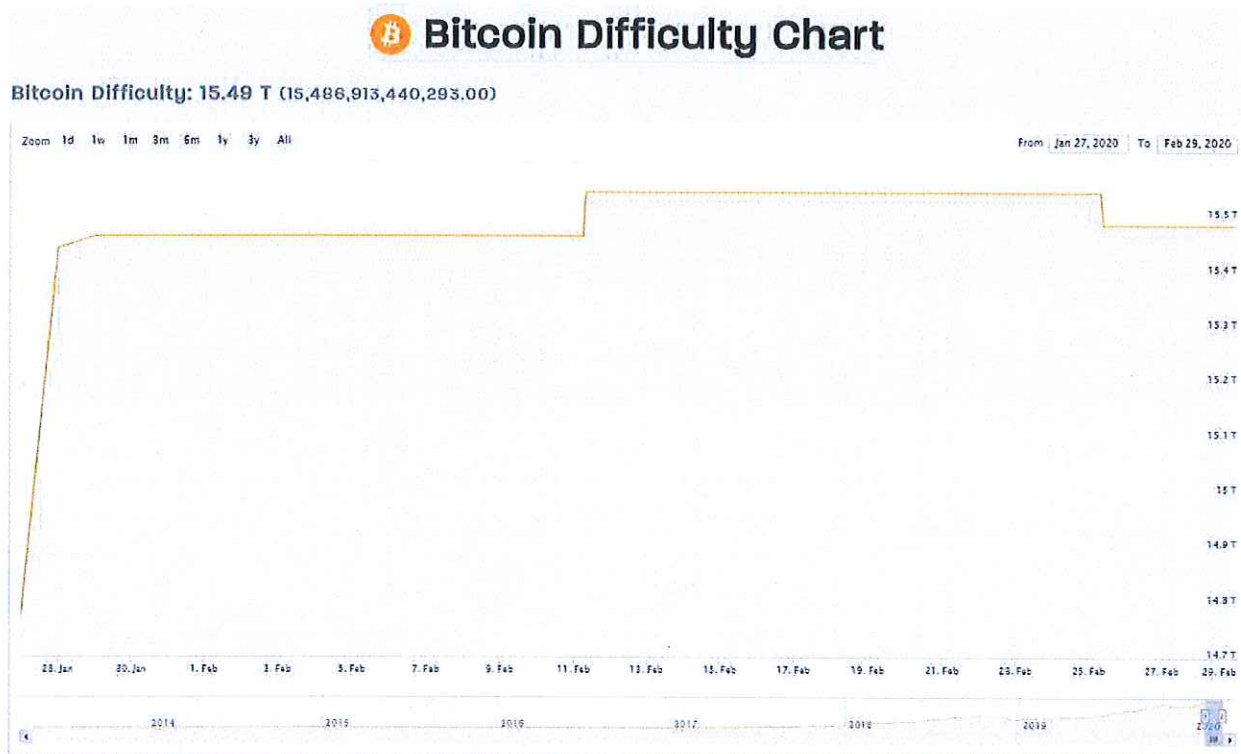
Date	Amount	Date	Amount	Date	Amount
02-03	\$135,540.28	02-04	\$129,540.28	02-06	\$222,301.89
02-10	\$150,058.46	02-12	\$107,080.33	02-13	\$196,392.13
02-14	\$145,206.60	02-18	\$125,702.10	02-19	\$118,222.10
02-20	\$208,550.60	02-24	\$170,772.24	02-26	\$165,498.89
02-27	\$248,235.32	02-28	\$210,327.83		

Executive Summary: For the calendar month of February 2020, the Moses Lake Data Center (MLDC) generated gross revenues of \$268,512, a 11.6% increase in revenue from January 2020 of \$240,488.

TNT generated \$91,963, a 7.1% increase in revenue from January's \$85,575 in revenue.

The total gross revenue generated combined for both sites for February was \$360,475, up 10.5% from January's number of \$326,063.

S9 Machine Mining (primarily Bitcoin): Revenues for S9s increased primarily due to an increase in Bitcoin prices in February. In February, the average daily BTC sell price grew 16.3% to \$9,598/BTC from the January average daily sales price of \$8,252/BTC. The last two difficulty jumps, starting January 28th, slowed dramatically. This may be explained by the delayed delivery of new mining equipment in China slowing dramatically due to the coronavirus breakout with factory shutdowns nationwide.



L3+ Machine Mining (primarily Litecoin): Revenues from these machines increased from January due primarily to the significant price increase in Litecoin. In February, the average daily sales price of a Litecoin was \$72.69/LTC, up 37.9% from January's daily sales price of \$52.71/LTC. LTC mining difficulty also jumped by about 16.9% which made mining rewards more difficult to obtain as price increased.

Litecoin Difficulty Chart

Litecoin Difficulty: 6.40 M (6,404,438.86)



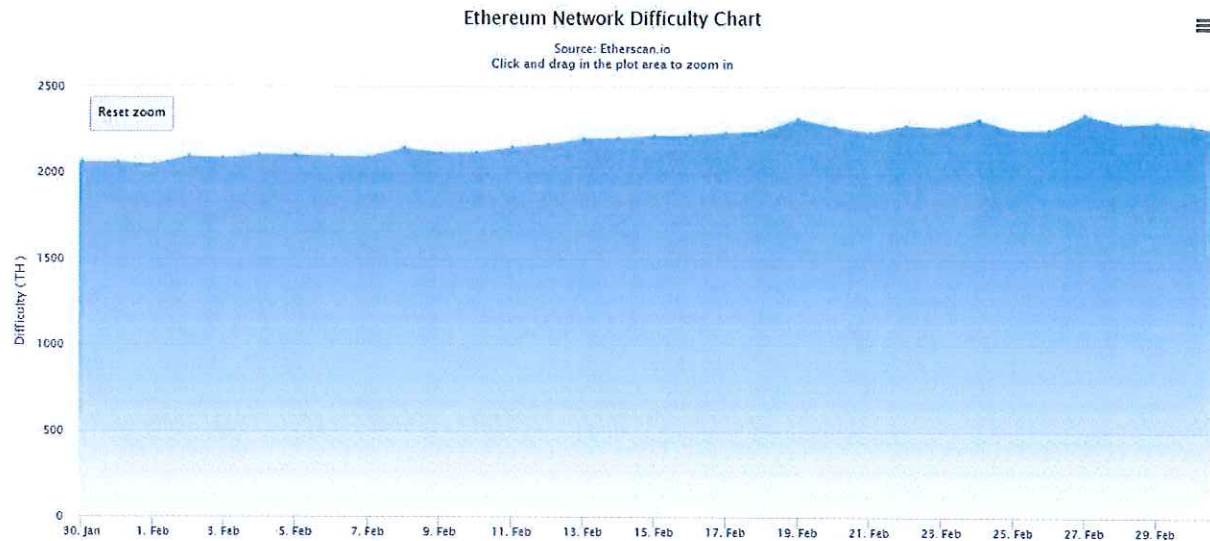
GPU Mining (Ethereum & Ethereum Classic):

Revenue for GPU mining increased in February largely due to price. In February, the average sales price per Ethereum (ETH) was \$237.96, an increase of 53.7 % from the January average sales price of \$154.84.

We mined very little Ethereum Classic (ETC) in February as the mining rewards, in USD, were nearly identical on a daily basis. Difficulty for Ethereum grew 12.2% over the month but the diminished rewards were dwarfed by the huge price increase per coin.

GPU mining for Ethereum, and Ethereum Classic will be coming to an end in calendar year 2020 for the equipment we have in Moses Lake and East Wenatchee. All GPU miners, using 4GB video cards, will no longer function by design with an estimated date of December 26, 2020.

There is another initiative underway to eliminate GPU mining altogether starting in July 2020 by replacing it with a "Proof of Stake" 100% software only solution, but that is likely to run in parallel with the "Proof of Work", the existing GPU hardware solution.



As in January, February saw significant price increases in all currencies with expected increases in difficulty.

Assuming the case that market prices stabilize, we can assume that mining rewards from the S9 machines (BTC) will continue to decrease due to increasing difficulty and new technology being deployed by competitors. We can expect some relief in new equipment hitting the market due to supply chain issues related to the coronavirus in China in the form of slower difficulty increases.

However, with the price increase for power now imminent in April for Moses Lake from Grant County PUD, the daily net returns for mining from S9 machines would drop to 47% of their current net revenue generation. Couple this with the upcoming halving of BTC rewards in mid-May and these machines effectively become worthless, even if we moved them to TNT in East Wenatchee.

L3+ mining (Litecoin) continues to be more resilient than expected. The price increase for power from Grant County is going to reduce this net revenue generated to 59% of the current revenue level, assuming price and difficulty stayed fixed.

Finally, our GPU mining machines (mining Ethereum & Ethereum Classic), which is currently the most profitable technology to mine on a per kilowatt hour, will remain our best technology equipment. The net revenue from these machines will drop to 82% of the current level after the price increase from Grant County PUD if price and difficulty remains unchanged. The longer-term threat is the planned obsolescence of these GPU machines for Ethereum mining by December 26, 2020 due to the 4GB design of the graphics cards.

We are working on a consolidation plan to optimize the GPU & L3 mining equipment for the remainder of 2020 for both facilities.